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October 31, 2005

Daugh K. White
Mayor
City of Manchester City Hall
P. O. Box 279
239 Memorial Drive
Manchester, KY 40962

RE: Case No. 2005-00440

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell
Executive Director

BOD/jc
Enclosure

Daugh K. White
Mayor
City of Manchester
City Hall
P. O. Box 279
239 Memorial Drive
Manchester, KY 40962

Honorable Joseph C. White, PSC
Attorney at Law
108 Manchester Shopping Center
Manchester, KY 40962

Bobby Whitis
Secretary
North Manchester Water Association,
Inc.
7362 N. Highway 421
Manchester, KY 40962

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE)
WATER SERVICE RATES OF THE CITY OF) CASE NO. 2005-00440
MANCHESTER)

ORDER

The city of Manchester, Kentucky ("Manchester") proposes to adjust its existing rate for wholesale water service to North Manchester Water Association ("North Manchester") effective for service on and after November 1, 2005. North Manchester objects to the proposed adjustment and request an investigation of the proposed adjustment.

Having considered the proposed rate revision and being otherwise sufficiently advised, the Commission finds that, pursuant to KRS 278.190, further proceedings are necessary to determine the reasonableness of the proposed rate revision. The Commission further finds that the intervention of North Manchester is likely to present issues or to develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting this proceeding.

IT IS THEREFORE ORDERED that:

1. Manchester's proposed rate revision is suspended for 5 months from November 1, 2005 up to and including March 31, 2006.
2. North Manchester is granted full intervention status in this proceeding.
3. The procedural schedule set forth in Appendix A to this Order shall be followed.

4. a. All interrogatories and requests for production of documents shall be appropriately indexed. All responses shall include the name of the witness who will be responsible for responding to the questions related to the information provided, with copies to all parties of record and 6 copies to the Commission.

b. Each response shall be under oath or accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. A party shall make timely amendment to any prior response if it obtains information upon the basis of which it knows that the response was incorrect when made, or though correct when made is now incorrect in any material respect.

d. For any request to which a party refuses to furnish the requested information, that party shall provide a written explanation of the specific grounds for its failure to furnish.

5. At any hearing in this matter, neither opening statements nor summarization of direct testimony shall be permitted.

6. Motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

7. All documents that this Order requires to be filed with the Commission shall be served upon all other parties.

8. To be timely filed with the Commission, a document must be received by the Commission within the specified time for filing except that any document shall be deemed timely filed if it has been transmitted by United States express mail, or by other recognized mail carriers, with the date the transmitting agency received said document

from the sender noted by the transmitting agency on the outside of the container used for transmitting, within the time allowed for filing.

9. Service of any document or pleading shall be made in accordance with Administrative Regulation 807 KAR 5:001, Section 3(7), and Kentucky Civil Rule 5.02.

10. Manchester shall, no later than January 6, 2006, file with the Commission the original and 6 copies of the information listed in Appendix B, with a copy to all parties of record. Each copy of the requested information shall be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Manchester's response shall conform to the requirements set forth in Paragraph 4 of this Order.

11. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

Done at Frankfort, Kentucky, this 31st day of October, 2005.

By the Commission

ATTEST

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2005-00440 DATED OCTOBER 31, 2005.

- Manchester shall file its response to the Commission's request
for information no later than01/06/2006
- Intervenors and Commission Staff shall serve their first set of inter-
rogatories and requests for production of documents upon Manchester
no later than01/20/2006
- Manchester shall file with the Commission and serve upon all parties
of record its responses to the first set of interrogatories and requests
for production of documents no later than02/03/2006
- Intervenors and Commission Staff shall serve their second set of inter-
rogatories and requests for production of documents upon Manchester
no later than02/17/2006
- Manchester shall file with the Commission and serve upon all parties
of record its responses to the second set of interrogatories and
requests for production of documents no later than03/03/2006
- Intervenor testimony, if any, shall be filed with the Commission
and served upon all parties of record in verified prepared form
no later than03/17/2006
- Parties and Commission Staff shall serve interrogatories and
requests for production of documents upon Intervenors no later than03/31/2006
- Intervenors shall file with the Commission and serve upon all other parties
of record their responses to interrogatories and requests for production
of documents no later than04/14/2006
- Public Hearing, beginning at 9:30 a.m., Eastern Daylight Time,
at the Commission's offices at 211 Sower Boulevard, Frankfort,
Kentucky, for the purpose of cross-examination of witnesses To Be Announced

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2005-00440 DATED OCTOBER 31, 2005.

1. Provide in written verified form the direct testimony of each witness that Manchester intends to call at the scheduled hearing in this matter.

2. Provide the independent auditor's reports for Manchester's water operations and sewer operations, shown separately, for the fiscal years ending June 30, 2003, June 30, 2004, and June 30, 2005.

3. a. State the 12-month test period upon which Manchester bases its proposed rate adjustment.

b. Explain why this test period was chosen.

4. Provide the general ledgers for Manchester's water and sewer operations for the proposed test period and the most recently concluded fiscal year. These general ledgers shall include all check registers and spreadsheets used to record and track financial transactions.

5. For each outstanding revenue bond issuance related to Manchester's water and sewer operations, provide:

a. The bond ordinance or resolution authorizing the issuance of revenue bonds.

b. An amortization schedule.

c. A detailed explanation of why the debt was incurred.

d. A calculation of the annual debt service payment, including all required payments to debt service reserve accounts or funds, for each of the next 3 years.

6. List all persons on Manchester's payroll during the proposed test period. For each employee, state his or her job duties, total wages paid during the fiscal year, current salary or wage rate, and the percentage of work hours spent performing duties for each city division (e.g., water, sewer, police department, public works) during the fiscal year. If Manchester's records do not permit the allocation of an employee's work hours among city divisions, provide an estimate for each employee and explain how Manchester derived the estimate.

7. For each employee listed in Item 6, describe how Manchester allocated his or her payroll and payroll overhead charges to each city division for the proposed test period. This response shall include a detailed explanation of all allocation procedures. Payroll overhead charges include payroll taxes, health insurance premiums, pension costs, and any other employee benefit costs.

8. a. List all joint or shared costs that Manchester incurred during the proposed test period. For each cost, list the vendor, total expense amount, amounts allocated per division, and the basis for allocation.

b. Describe the procedures to allocate joint and shared costs among Manchester's divisions for the proposed test period.

c. Provide all internal memorandums, policy statements, correspondence and documents related to the allocation of joint and shared costs.

9. Provide detailed depreciation schedules for the water and sewer divisions. A separate schedule shall be provided for each division.

10. Provide an adjusted trial balance and audit adjustments for the proposed test period and the most recently completed fiscal year. The trial balance shall be traced and referenced directly to the general ledgers requested in Item 4.

11. Provide the "Enterprise Funds Uniform Financial Information Report" that Manchester submitted to the Kentucky Department of Local Government for the fiscal years ending June 30, 2003, June 30, 2004, and June 30, 2005.

12. a. Identify all persons or entities to which Manchester provides wholesale water service.

b. For each customer listed above, provide for each of the previous 24 months its monthly water usage and the amount that Manchester charged it for service.

13. a. Complete the table below:

Water Main Size	Total Miles Of Line	Miles Of Lines Used By Manchester To Serve Its Wholesale Customers
16"		
14"		
12"		
10"		
8"		
6"		
4"		
2"		

b. Who paid for the water main(s) that Manchester uses to deliver water to Manchester's wholesale customer(s)?

14. a. What is the maximum capacity of Manchester's water treatment plant?

b. For each of the customers listed in response to Item 12(a), state:

(1) The amount of Manchester's total water treatment plant capacity currently reserved for that customer.

(2) The minimum and maximum quantity of water (in gallons) that the customer may purchase in a month under the terms of its present water purchase contract with Manchester.

c. Describe the changes, if any, that Manchester expects within the next 3 years in the level of water treatment capacity reserved for each of the customers listed in Item 12(a) and state the reason(s) for Manchester's expectations.

15. a. Who owns the master meter(s) through which Manchester provides water to the customers listed in Item 12(a)?

b. Through how many master meters does Manchester provide water service to each of the customers listed in Item 12(a)?

c. Who is responsible for maintaining these master meters?

16. Provide a system map showing all Manchester facilities that are used to serve the customers listed in Item 12(a). This map shall, at a minimum, show all master meters, pumping stations, storage tanks, water transmission mains and water distribution mains used to serve the customers listed in Item 12(a). The size of all mains shall be clearly indicated on this map.

17. What portion, if any, of Manchester's water main(s) that serve the customers listed in Item 12(a) are gravity fed?

18. a. List Manchester's water sales (in gallons) for each month of the previous 36 months for each of its wholesale customers and for its retail customers.

b. List the total amount billed by Manchester for water service for each month of the previous 36 months to each of its wholesale customers and to its retail customers.

19. Provide Manchester's current rate schedule for its retail customers and for each of its wholesale customers.

20. Complete the table below:

Manchester	Gallons for Test Period	Gallons for Fiscal Year Ending June 30, 2005
Plant Use		
Line Loss (Unaccounted for)		
Sales to Retail		
Sales to North Manchester Water Association		
Sales to Other Wholesale Customers		
Total Produced and Purchased		
Total Sold		

21. a. State whether Manchester provides unmetered water service to any entities (e.g., service to municipal buildings, fire departments or protection services).

b. If unmetered service is provided, then for each type of service, estimate the percentage of the total unmetered amount.

22. Provide a copy of the cost-of-service study upon which the proposed rate is based.

23. a. Identify the person who prepared the cost-of-service study upon which the proposed rate is based.

b. Provide the preparer's curriculum vitae.

c. List all cases before the Commission in which the preparer has submitted a cost-of-service study.

d. List all utilities (municipal or public) for which the preparer has prepared a cost-of-service study. For each utility, identify the type of utility service (water or sewer) for which the report was prepared.

24. If the proposed rate is not based upon a cost-of-service study, describe how Manchester determined the proposed wholesale rate and state who participated in the determination.

25. Provide the ordinance or resolution of the Manchester City Commission in which the proposed rate adjustment was approved.

26. Provide the minutes of each meeting of the Manchester City Commission since January 1, 2002 in which a proposed rate adjustment to Manchester's wholesale customers was discussed.

27. Provide a copy of all correspondence, electronic mail messages, or other written communications between Manchester and its wholesale customers since January 1, 2000 regarding revisions to Manchester's wholesale rate.

28. Provide all contracts for water service between Manchester and North Manchester that have not been filed with the Commission.

29. a. State the annual effect of the proposed rate adjustment on Manchester's revenues from wholesale water service to each of its wholesale water service customers.

b. Show all calculations made and state all assumptions used to derive the response to Item 29(a).